

Message Text

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PAGE 01 OECD P 14354 01 OF 02 141621Z

53

ACTION EUR-12

INFO OCT-01 ISO-00 EURE-00 AID-05 CEA-01 CIAE-00 COME-00

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LIMITED OFFICIAL USE SECTION 01 OF 02 OECD PARIS 14354

E.O. 11652: N/A

TAGS: ETRD, OECD

SUBJECT: XCSS MAY 13-14: DISCUSSION OF TRADE PLEDGE

1. SUMMARY: XCSS DISCUSSION REVEALED GENERAL AGREEMENT THAT TRADE PLEDGE HAD SERVED USEFUL PURPOSE IN DETERRING RESTRICTIVE TRADE ACTIONS DURING LAST TWO YEARS AND THAT THE PRESENT ECONOMIC CONTEXT, AS WELL AS FACT THAT NON-RENEWAL COULD GIVE RISE TO MISUNDERSTANDINGS ABOUT WILL OF OECD COUNTRIES TO CONTINUE LIBERAL TRADE POLICIES, JUSTIFIED ITS RENEWAL FOR ANOTHER YEAR. SEVERAL DELS ALSO SUGGESTED QUESTION OF WHAT SHOULD BE DONE IN L977 SHOULD BE CONSIDERED OVER NEXT YEAR IN OECD. VIRTUALLY ALL DELS WISHED PLEDGE AND "COMMENTS" TO BE RENEWED AS THEY STAND, EXCEPT NEW ZEALAND, WHO MADE SUGGESTIONS FOR SPECIFIC CHANGES IN TEXT OF PLEDGE. ON RECEIVING ALMOST NO SUPPORT, HOWEVER, GNZ DEL RETREATED TO PROPOSAL THAT GNZ CONCERNS BE DEALT WITH IN "COMMENTS" AND QUESTION REMAINS OPEN OF HOW, IF AT ALL, GNZ WILL BE ACCOMMODATED. END SUMMARY

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PAGE 02 OECD P 14354 01 OF 02 141621Z

2. AGENDA ITEM ON TRADE PLEDGE BROUGHT FORTH INTERVENTIONS BY LARGE NUMBER OF DELS, ALL GENERALLY IN FAVOR OF RENEWAL OF PLEDGE. EC COMMISSION REP (HIJZEN) COULD ONLY GIVE PRELIMINARY EC THINKING, AS INTERNAL DISCUSSIONS WERE STILL GOING ON, BUT HE CHARACTERIZED EC ATTITUDE TOWARD RENEWAL AS POSITIVE ONE. HE WARNED HOWEVER AGAINST PRESUMPTION THAT EXCEPTIONS TO PLEDGE WHICH HAD OCCURRED IN PAST SHOULD BE CONSIDERED AS RULE, AND SAID MINISTERS SHOULD MAKE IT CLEAR IN JUNE THAT BETTER PERFORMANCE WAS EXPECTED. US, NORWAY, CANADA AND AUSTRIA GAVE STRONG SUPPORT FOR RENEWAL. SWITZERLAND WELCOMED US DECISION IN SHOE CASE. JAPANESE DEL (YOSHINO) SAID DECISION IN FAVOR OF RENEWAL HAD NOT BEEN EASY IN JAPAN, WHERE SOME THOUGHT PLEDGE OF LITTLE UTILITY. HE URGED OECD MEMBERS BE STRICTER WITH THEMSELVES ABOUT ADHERING TO PLEDGE. FINNISH DEL COMPLAINED ABOUT INCREASING SHARE OF OECD TRADE DEFICITS BEING BORN BY SMALL COUNTRIES. PORTUGAL DID NOT SPEAK AND NO REFERENCE WAS MADE TO THEIR SITUATION. (NO DEL SPECIFICALLY MENTIONED US SPECIALTY STEEL DECISION IN PLENARY, BUT AT EXPANDED BUREAU MEETING DAY BEFORE UK REP THORNTON MADE NUMBER OF CRITICAL COMMENTS ON THIS. KATZ RESPONDED BY NOTING DEFENSIBILITY OF ACTION UNDER GATT AND ASKING HOW EC HAD HANDLED JAPANESE STEEL EXPORTS, WHICH EFFECTIVELY ENDED DISCUSSION.)

3. NEW ZEALAND: NEW ZEALAND DEL'S OPENING STATEMENT INDICATED SUPPORT FOR OBJECTIVES OF TRADE PLEDGE BUT REITERATED GNZ DESIRE FOR ADAPTATION OF PLEDGE LANGUAGE TO MEET NEW ZEALAND CONCERNS ON AGRICULTURAL PROTECTIONISM. HE SUGGESTED IN PARTICULAR THAT PREAMBLE OF PLEDGE BE CHANGED TO MAKE IT CLEAR PLEDGE APPLIES TO BOTH INDUSTRY AND AGRICULTURE AND THAT MAIN TEXT BE MODIFIED TO REFER TO AGRICULTURAL IMPORT RESTRICTIONS AND THE SPECIAL NEEDS OF PRIMARY PRODUCT EXPORTERS. HOWEVER, VIRTUALLY ALL OTHER DELS WHO SPOKE EXPRESSED PREFERENCE FOR RENEWING PLEDGE AS IS. EC COMMISSION SAID EC HAD NEVER CONSIDERED AGRICULTURE EXCLUDED FROM PLEDGE, BUT WARNED AGAINST USING PLEDGE AS PRETEXT FOR SOLVING "OTHER" PROBLEMS. HE SUGGESTED IT WOULD BE LIMITED OFFICIAL USE

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PAGE 03 OECD P 14354 01 OF 02 141621Z

IMPOSSIBLE TO CHANGE PLEDGE TO TAKE ACCOUNT OF SPECIFIC SITUATIONS OF ALL COUNTRIES AND SAID IMPORTANT THING WAS NOT PRECISE WORDING OF TEXT BUT POLITICAL INTENTION. AUSTRALIAN DEL, DISTURBED BY EC CAUTION AGAINST USING PLEDGE AS PRETEXT, SAID GOA DID NOT CONSIDER CAP IMMUNE FROM EXAMINATION UNDER PLEDGE AND WOULD INSIST THAT AGRICULTURAL TRADE MEASURES RECEIVE TREATMENT UNDER PLEDGE PROCEDURES COMPARABLE TO THAT GIVEN

INDUSTRIAL TRADE MEASURES. AT END OF SESSION NEW
ZEALAND EXPRESSED RECOGNITION THAT PRESENT TEXT OF
PLEDGE APPEARED TO BE SACROSANCT AND SAID GNZ WOULD
TRY TO FIND APPROPRIATE LANGUAGE IN THE CONTEXT OF
COMMENTS ON THE PLEDGE. CHAIRMAN NOTED NO NEW COMMENTS
WERE BEING PLANNED BUT WELCOMED NEW ZEALAND'S EXPRESSION
OF WILLINGNESS TO COMPROMISE. HOW GNZ PROBLEMS WILL

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PAGE 01 OECD P 14354 02 OF 02 141622Z

53

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IN PRACTICE BE WORKED OUT WAS LEFT OPEN.

4. ITALIAN MEASURES: EC COMMISSION REP (HIJZEN)
ARGUED THAT PURPOSE OF ITALIAN DEPOSIT SCHEME WAS
ESSENTIALLY NON-COMMERCIAL, DESIGNED TO DEAL WITH PROB-
LEM OF LIRA DEPRECIATION AND TO SOP-UP LIQUIDITY RATHER
THAN TO PROTECT INDUSTRY. HE SAID MEASURE HAD BEEN MADE
AS ALL-ENCOMPASSING AND AS NEUTRAL AS POSSIBLE, SO THAT
IT REALLY AMOUNTED TO A PARTIAL AND MINOR CHANGE IN THE

EXCHANGE RATE AND SHOULD NOT BE REGARDED AS BASICALLY INCONSISTENT WITH TRADE PLEDGE. ITALIAN DEL ALSO EMPHASIZED MONETARY ASPECT AND TEMPORARY NATURE OF MEASURE AND SAID GREATER ECONOMIC COOPERATION WAS NECESSARY TO HELP COUNTRIES WITH SERIOUS BOP DEFICITS RESTORE EQUILIBRIUM. HE SAID ITALIAN MEASURE HAD LITTLE TO DO WITH PLEDGE AND THAT PRESENT TREND OF THINKING IN GOI WAS FAVORABLE TO RENEWAL. NO OTHER DELS COMMENTED ON ITALIAN ACTION.

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PAGE 02 OECD P 14354 02 OF 02 141622Z

5. FUTURE OF PLEDGE AFTER 1976: SEVERAL DELS COMMENTED ON NEED TO CONSIDER WHAT SHOULD BE DONE ABOUT PLEDGE IN 1977. EC COMMISSION REP SAID REVIEW PROCESS SHOULD BEGIN BEFORE END OF THIS YEAR, AND THAT SOME OECD BODY SUCH AS XCSS SHOULD LOOK INTO QUESTION OF WHETHER PLEDGE COULD BE DONE AWAY WITH IF ECONOMIC SITUATION CONTINUED TO IMPROVE OR IF SOMETHING ELSE MIGHT BE NEEDED. US DEL (KATZ) PROPOSED TRADE COMMITTEE AND XCSS DURING YEAR AHEAD CONSIDER QUESTION OF CONTINUATION OF PLEDGE OR ALTERNATIVES IN OECD OR GATT/MTN CONTEXT. JAPAN SUGGESTED THAT ONE PURPOSE WHICH PLEDGE OR SOMETHING LIKE IT MIGHT SERVE IN LONGER TERM WOULD BE TO ENSURE EQUITABLE SHARING OF BURDEN AMONG DC'S OF EXPANDED LDC EXPORTS. CANADA (TOWE) THOUGHT MAIN QUESTION WAS HOW TO HANDLE PRESENTATIONAL PROBLEMS OF ALLOWING PLEDGE TO EXPIRE AT SOME POINT IN FUTURE, WHILE SPAIN STRESSED IMPORTANCE WHICH LDC'S ATTACH TO CONTINUED DC ADHERENCE TO "STANDSTILL" CONCEPT.

6. SUPPORT FUND, EXPORT CREDITS, EXCHANGE RATE MATTERS: SWISS DEL (JACOBI), WHILE EXPRESSING PREFERENCE FOR NO CHANGE IN "COMMENTS" TO PLEDGE, NOTED THAT SEVERAL ITEMS OF 1975 COMMENTS HAD RECEIVED ONLY WEAK FOLLOW-UP ACTION, NAMELY RATIFICATION OF SUPPORT FUND, AGREEMENT ON EXPORT CREDITS, AND CONSULTATIONS ON EXCHANGE RATE QUESTIONS. TURKISH REP MADE SIMILAR COMPLAINT ABOUT FOLLOW-UP OF PORTION OF COMMENTS REFERRING TO SITUATION OF DEVELOPING MEMBER COUNTRIES. SEC GEN VAN LENNEP LATER TOOK UP SWISS POINTS IN MORE DETAIL, EXPRESSING SERIOUS DISAPPOINTMENT OVER FAILURE TO REACH AGREEMENT ON EXPORT CREDITS AND QUESTIONING WHETHER EXCHANGE RATE CONSULTATIONS HAD BEEN SATISFACTORY. HE ALSO NOTED THAT ONLY 10 COUNTRIES HAD RATIFIED OECD SUPPORT FUND (WITH US AND JAPAN AMONG THOSE WHICH HAD NOT), AND URGED FULL RATIFICATION BE COMPLETED AS SOON AS POSSIBLE. (AT MEETING OF EXPANDED XCSS BUREAU EVENING OF MAY 12, VAN LENNEP AND CHAIRMAN JOLLES HAD PRESSED US DEL ABOUT TIMING OF COMPLETION

OF US LEGISLATIVE PROCEDURES FOR SUPPORT FUND. US DEL
INDICATED HE HOPED THIS WOULD BE FINISHED SOON.)
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PAGE 03 OECD P 14354 02 OF 02 141622Z

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